

Table with exchange rates for various currencies including US Dollar, British Pound, Japanese Yen, etc.

Missile Downed Relief Plane Near Sarajevo, Officials Say

By Blaine Harden Washington Post Service

SARAJEVO, Bosnia-Herzegovina — The Italian plane that crashed while carrying relief supplies to Sarajevo was probably shot down by a missile, Italian government officials and sources in the Bosnian capital said Friday.



Serbian irregulars unloading boxes of medicine and food from United Nations trucks on Friday after the trucks were halted at a checkpoint in Rogatica, in Serbian-held territory. The convoy was later allowed to proceed to the isolated town of Gorazde.

More Job Losses Cloud Bush's Election Hopes

Federal Reserve Cuts Rates Again Despite Risk to the Fragile Dollar

By Lawrence Malkin International Herald Tribune

NEW YORK — Government figures showed Friday that the bottom had fallen out of the American labor market, and economists said they saw no hope of recovery by Election Day or long afterward.

economist who heads Manpower Plus, said that what really moved the percentages down was that the labor force fell by 95,000 people last month as discouraged workers stopped looking for jobs.

President Bush, stroking the small-business vote, calls for tax cuts and new rates, Page 3.

started shrinking as they gave up. That's one of the most profound public-opinion polls you can get.

Although the Fed normally tries to do nothing during an election campaign, it could not ignore these figures. It allowed the federal funds rate, which sets the banks' wholesale cost of money, to fall one-quarter of a percentage point, to 3 percent.

Moving to counter a recession that has given way to a very sluggish recovery, the central bank in the last couple of years has brought the federal funds rate down in steps from more than 9 percent the last easing before Friday came early in July.

Still, Fed specialists on Wall Street now also expect a drop in the discount rate, the rate at which the central bank itself lends to the banks, although they disagree on how it will happen.

There was no way to read the figures as anything but miserable. Factory payrolls plunged by 97,000, to their lowest level since 1983, and 16 out of 20 industries within the manufacturing sector cut jobs.

"The only way business is making profits now is laying off people," Mr. Jones said, and this appears to be an underlying trend.

Moreover, said Dan Lacey, editor of Workplace Trends, many of the jobs that are being lost in this slowdown are "technical, managerial, and mid-level staff — the good jobs held by the people who made the suburbs."

Since the economic slowdown became entrenched in 1992, corporations have cut about 1.25 million of these jobs, and during the second half of 1991 Mr. Lacey counted announcements of about 350,000 such layoffs.

Because of severance pay, unemployment help and other layoff cushions, he said, it usually takes about nine months before the lost jobs start to show up in the statistics and "hit the economy, and that is what is happening now."

"The lifetime employment relationship that began after World War II was our de facto social policy, and we now are returning to the reality of industrial capitalism," he said.

See JOBS, Page 10

Nonaligned Reality: No More Anti-Western Rhetoric

Michael Richardson International Herald Tribune

JAKARTA — Many Nonaligned countries, moved by major changes in the global balance since the Cold War ended, are dropping anti-Western rhetoric and planning greater self-help as competition for aid intensifies.

Sunday when leaders of the group conclude their discussions and announce the results. Western officials attending the conference as observers said they expected an outcome that was more action-oriented than in the past, with a new emphasis on economic development.

A Geneva-based group sponsored by the Non-aligned Movement. The South Center is the successor organization to the South Commission, which was formed by the movement in 1987 to promote self-reliance and better North-South Cooperation.

and mutually beneficial arrangements," without abandoning multilateral free trade principles, he said. "Our citizens want to see and experience real improvements in their lives, not more ideologies and rhetoric."

This Far, and No Further? Roadblocks of Anarchy and Recession Stop South Africa Despite Its Progress

By Paul Taylor Washington Post Service

JOHANNESBURG — A year ago, at a less despairing juncture in South Africa's journey beyond apartheid, its major political parties signed a document called the National Peace Accord.

National Congress leader, from prison, unbanning anti-government political groups and dismantling the skeleton of apartheid. Political violence still is killing more than eight people each day, triple the carnage the nation suffered during the peak of the anti-apartheid insurrection that raged from 1984 through 1990.

General News The U.S. saw "major movement" in Israeli-Syrian peace negotiations. Page 2. Morocco voted on Hassan's constitution. Page 2. A Texas congressman was pivotal in the F-16 sale. Page 5.

Kiosk

2d Ethiopian Airliner Is Hijacked

DJIBOUTI (AP) — An Ethiopian Airlines jetliner was hijacked on Friday, and five men were holding four crew members hostage after releasing the passengers, officials and witnesses said.

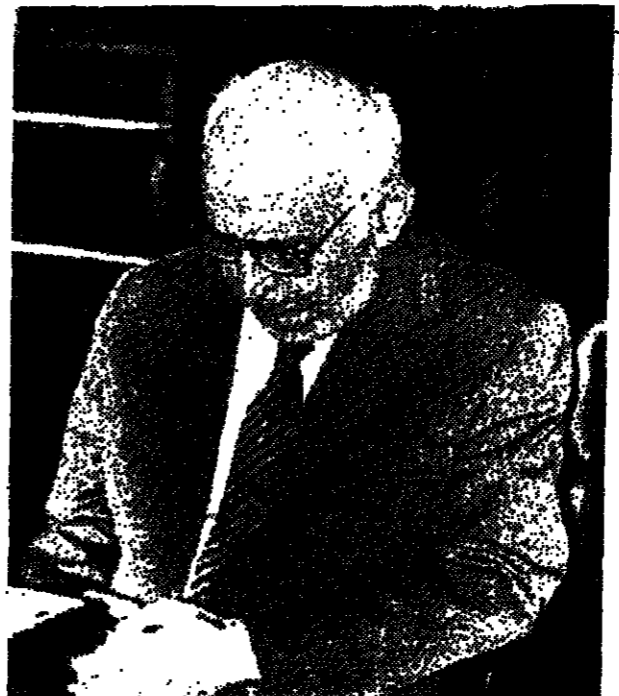
The incident came a week after a group of five commandeered an Ethiopian Airlines 737 on a flight from Dire Dawa to Rome. They eventually gave themselves up to Italian authorities.

Business/Finance Industrial orders data for July showed weakening in the German economy. Page 9. The Money Report Best rates: bond funds, international equities. Pages 14-15.

Fire Hits Amex

NEW YORK — The American Stock Exchange was shut down for the day Friday morning after smoke from a nearby fire filled the exchange floor.

Meanwhile, prices fell on the New York Stock Exchange, which was unaffected. (Page 10)



ZHIRKOV SENTENCED — Head bowed, Bulgaria's Communist former leader listened in a Sofia courtroom Friday as he was sentenced to seven years for abuse of power. Page 4.

Mitterrand and Maastricht: A 'Difficult Balancing Act'

By Tom Redburn International Herald Tribune

PARIS — President François Mitterrand made a generally favorable impression in coming off his throne to plead directly with the French people on television to approve the Maastricht treaty, but he should now fade into the background until after the Sept. 20 referendum, according to officials and commentators.

French voters are split on the treaty, which is aimed at advancing European economic integration and political cooperation. The real Mr. Mitterrand, who is widely unpopular after more than a decade in office, risks tipping the balance against his career-long cause of strengthening the European Community if he allows his own fate to be too closely linked with the referendum.

going, the more likely he is to fall off." French newspapers argued that the forum, in which Mr. Mitterrand finally sat down late in the evening for what proved to be a restrained and anticlimactic face-to-face debate with Philippe Séguin, a Gaullist, probably swayed few voters.

nonintervention are his best weapons at the present," the paper said. In the debate, Mr. Mitterrand displayed a broad and detailed knowledge of the treaty, but he was misleading on the important issue of whether the planned European central bank would be independent of political control.

See FRANCE, Page 4

Italy Raises Interest Rates Amid Fears of Devaluation

International Herald Tribune

PARIS — Amid feverish speculation that several currencies within the European Monetary System may face devaluation against the Deutsche mark, Italy sharply raised interest rates Friday in an attempt to defend the weak lira.

change-rate mechanism, particularly the lira, the pound, the peseta and the escudo, with no realistic option other than devaluation. But a realignment of currencies, which European finance officials outside Germany have desperately sought to avoid in recent years in order to establish their own anti-inflationary credentials, could pave the way to lower interest rates and faster growth in Europe.

The increase of 1.75 percentage points by the Bank of Italy in two key lending rates, which raised Italy's discount rate to 15 percent and its emergency bank rate to 16.5 percent, produced cries of anguish among Italian industrialists and threw stock markets in Europe for a loop, but failed to lift the lira off the bottom of the currency grid.

A drop in the dollar, prompted by a report Friday that the U.S. economy lost 83,000 jobs in August, which in turn led to a small easing of monetary policy by the Federal Reserve, only added to the internal strains in Europe.

Uncertainty about the outcome of the Sept. 20 referendum in France on the Maastricht treaty has roiled financial markets in recent weeks. European currencies are under such intense pressure, compounded by the huge gap between interest rates in Germany and the United States that is pushing the mark up and the dollar down, that the exchange-rate mechanism holding together EC currencies could burst apart if France rejects the agreement.

With plans for a European Community currency union in disarray ever since the Danes rejected the treaty in early June, present European exchange rates may not hold much longer even if the French back the accord.

Many economists say they believe a "no" vote by the French would leave countries with the weaker currencies in the European ex-

The Italian central bank's painful step followed by a day Britain's announcement that it has assembled a \$14.6 billion war chest aimed at stabilizing the pound against the stronger European currencies.

Hans Tietmeyer, vice president of the Bundesbank, said the moves by Britain and Italy would, at least temporarily, relieve some of the pressure on European currencies.

"I think the tension has gone out of the system for the moment," Mr. Tietmeyer said at a seminar in Berlin.

He spoke, however, before the dollar weak-

See LIRA, Page 11

A Coney Island Sideshow Becomes a Main Attraction

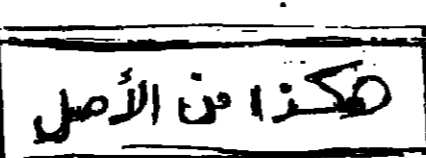
By Douglas Martin New York Times Service

NEW YORK — Coney Island, Maxim Gorky wrote, is a place where "mean panderers to debased tastes" fleece good citizens like sheep.

midgets, wandered a replica of the Gettysburg battlefield. "Yowzah! Yowzah!" the Barker shouts. "Now isn't this the American way?" But so is what happened to the nation's gaufest playground after World War II. People moved to the suburbs, became hooked on television, started going to Disneyland. Rides slowed to a halt. The archetypal amusement park was less and less amusing.

sterner. A former colleague ran off with the snakes, the electric chair and most of the performers. And there still is no board chairman capable of organizing the avant-garde arts types needed to keep this oddest of off-off-Broadway theaters going.

If it were not for the rains, this might be a better year for Coney Island in general. There are a half-dozen new attractions, including a baseball batting cage, a giant slide and competing shows featuring a giant killer rat and a two-headed baby. The city has paved many streets and provided more police officers.









صباحنا من الامل

# Congressman Key To Taiwan Jet Sale

By Don Oberdorfer  
Washington Post Service  
WASHINGTON — On July 14, Representative Joe Barton, Republican of Texas, received an urgent plea from General Dynamics Corp. executives in Fort Worth to help reverse a 10-year-old U.S. policy limiting arms sales to Taiwan.

Close to 3,000 Texas jobs were at stake, the officials said, in the potential sale of F-16 warplanes to the anti-communist bastion off the Chinese coast.

Standing in the way of the deal, believed to be worth at least \$4 billion, was the 1982 Joint Communiqué between the United States and China, which ended a tense and lengthy standoff between the two nations over arming Taiwan.

Negotiated by the Reagan administration, it prevented Washington from exceeding previous arms sales levels to Taiwan "either in qualitative or quantitative terms" and to "reduce gradually" the sales over years to come.

After a two-hour briefing from the company, Mr. Barton said he telephoned W. Henson Moore, then deputy White House chief of staff, to plead the case for approving the sale.

Almost immediately, the National Security Council staff and other elements of the White House conducted a "quick-and-dirty" review of the sale and of China-Taiwan arms policy, tentatively concluding that the sale "had a lot of merit," Mr. Barton was informed.

Shortly thereafter, according to Mr. Barton, more extensive studies were ordered in the State and Defense Departments leading to a final interagency review that was completed late last week — in time for President George Bush to make

a formal announcement before cheering workers at the General Dynamics plant in Fort Worth Wednesday that the plane sale had been approved.

Since mid-July, Mr. Barton said, he and other Texas legislators had lobbied strenuously for the F-16 sale in conversations with Mr. Bush; James A. Baker 3d, the White House chief of staff; Brent Scowcroft, the national security adviser; Lawrence S. Eagleburger, the acting secretary of state, and other senior officials. At the same time, Texas Democrats, while joining appeals to approve the sale, began attacking Mr. Bush for caring more about the communist regime in Beijing than about jobs of workers in Texas.

Mr. Bush, in announcing his decision, said it "does not change the commitment of this administration and its predecessors" to the agreements previously negotiated with China. Ignoring the U.S. promise to cap and reduce arms sales to Taiwan, he said that to him "the importance of the '82 communiqué on arms sales to Taiwan lies in its promotion of common political goals — peace and stability in the area through mutual restraint."

The State Department, making the case for the sale, said that "the sale of Taiwan's air force and China's purchase of Russian Su-27 aircraft were among the factors considered in the president's decision."

A department spokesman said it was now impossible for the United States to provide spare parts for Taiwan's obsolescent U.S. warplanes, and thus "we're maintaining the quality of that air force in the only way we have available."

# Vietnam, Protesting, Tells China to Halt Oil Surveys

Agence France-Press  
HANOI — Vietnam demanded the immediate withdrawal Friday of two Chinese ships that it said were violating its territorial waters and blocking shipping lanes in the Gulf of Tonkin.

Deputy Foreign Minister Vu Khoan summoned Ambassador Zhang Dewei of China to the Foreign Ministry to protest the presence of the vessels. Mr. Vu said Chinese radio broadcasts were warning all ships to stay clear of the

two ships, which are exploring for oil in the Gulf of Tonkin.

"The Vietnamese government asks the Chinese government to ask the concerned Chinese organizations and localities to immediately suspend the project and to not undertake similar activities in the future," the statement said.

"These facts do not help create favorable conditions for the upcoming negotiations," it said.

Vice Foreign Minister Xu Dunxin of China is to visit Hanoi late this month to discuss the disputed land border between the two Asian neighbors, Vietnamese sources said.



DRESS REHEARSAL FOR YELTSIN IN TOKYO — Japanese policemen, some dressed as rightists, during a staged clash Friday, part of a security exercise in preparation for the visit of Boris N. Yeltsin beginning Sept. 13. His security service had earlier taken the unusual step of criticizing Japanese security arrangements. A Russian official said it might even be recommended that the trip be postponed. But Yuri Petrov, Mr. Yeltsin's top national security adviser, said Friday that the visit would go ahead as planned.

# China Says U.S. Lied To Back Up F-16 Deal

Compiled by Our Staff From Dispatches  
BEIJING — China accused the Bush administration Friday of using "excuses and lies" to justify the sale of F-16 jets to Taiwan and said the transaction threatened U.S.-Chinese relations.

Xinhua, the state press agency, in a strongly worded commentary, said Washington's planned arms sale also brought added tension to relations between China and Taiwan.

"The Bush administration has fabricated various excuses and lies trying to justify its arms sale decision, which is seriously jeopardizing Chinese-U.S. relations," it said.

The commentary accused the United States of working to obstruct the eventual unification of Taiwan with China and of violating its 1982 promise to phase out arms sales to the Nationalists.

China regards Taiwan as a renegade province with no claim to nationhood. The United States in 1979 switched its recognition to Beijing from Taipei and officially considers Taiwan a part of China.

"The Bush decision will just serve to obstruct and undermine China's cause for peaceful reunification," Xinhua said.

President George Bush announced Wednesday that he would reverse a 10-year ban on sales of advanced weapons to Taiwan and

permit the purchase of as many as 150 F-16 fighters for at least \$4 billion.

That brought an angry reaction from Beijing. China warned Mr. Bush that he was putting at risk Beijing's cooperation in UN arms control talks.

In Washington on Friday, acting Secretary of State Lawrence S. Eagleburger said U.S. relations with China were in for a "rough patch" as a result of the F-16 deal.

But Mr. Eagleburger also said the transaction with Taiwan was unlikely to lead to a breakdown in relations.

The Chinese have "too much riding on the relationship with us in economic and political terms" to risk a rupture, Mr. Eagleburger said in an interview on CNN.

The United States wants to send Assistant Secretary of State William Clark Jr. to Beijing next week to explain its decision. But, said Mr. Eagleburger, China has not yet responded to the trip proposal or said whether it would accept Mr. Clark.

Mr. Bush told a cheering crowd of aerospace workers in Texas that the sale did not represent a change in U.S. policy toward China and was intended to help maintain peace and stability in the region.

"This is sheer deceptive talk," the Xinhua commentary stated. (Reuters, AFP, AP)

# Ankara Sees Threat In Iraq Exclusion Zones

By Alan Cowell  
New York Times Service

ANKARA — Concerned that recent U.S. and allied actions in Iraq would embolden Kurdish separatists in southeastern Turkey, Prime Minister Suleyman Demirel has received assurances from President George Bush that the United States will continue to oppose creation of an independent Kurdish nation in the region.

But in an interview, the Turkish leader said he remained concerned that recent efforts to create zones of protection for Kurdish and Shiite dissidents in northern and southern Iraq had weakened Iraq's territorial integrity.

Mr. Demirel added that he had told Iraqi leaders that unless Iraq makes peace with the world, the country would be broken up.

Turkey, a long-standing Western ally that played a major role in the Gulf War coalition against Iraq, is deeply worried that the creation of the two zones, by weakening Iraq's integrity, would make it easier for

its own rebellious Kurds to carry out their fight.

Among Turkey's population of 60 million are 10 million Kurds, of whom 6 million are in southeast Turkey, where the avowedly Marxist Kurdish Workers Party has been fighting a steadily growing war since 1984 for an independent Kurdish state.

As fighting has increased, 1,300 people have been killed this year, bringing the total in the last eight years to 4,500.

Leaders of the Kurds in northern Iraq say they oppose an independent Kurdish nation. Kurds in Iraq, in fact, have a strained relationship with Kurds in Turkey. Earlier this year, the Iraqi Kurds tried to prevent Turkish Kurds from infiltrating into Turkey.

21 Killed in Clash  
A total of 20 guerrillas and 1 police officer were reported killed Friday in a clash with Kurdish separatists in the southeast. Reuters reported from Ankara.

# No U.S. Aides Implicated on Iraqi Loan

There Isn't Evidence Officials Knew of Illegal Scheme, Prosecutor Says

By Sharon LaFraniere  
Washington Post Service

WASHINGTON — Government prosecutors have told a federal judge they have no evidence that anyone in the U.S. government knew about the \$5.5 billion in illegal loans to Iraq made by a branch of an Italian-owned bank.

Assistant U.S. Attorney Gale McKenzie said Christopher P. Drogoul, branch manager in Atlanta of the Banca Nazionale del Lavoro, had not implicated any U.S. officials in discussions with government investigators, according to documents made available this week.

The question of whom Mr. Drogoul might implicate has hung over the case since it began three years ago. The U.S. district court judge in charge of the case, Marvin H. Shoob, has repeatedly expressed skepticism that Mr. Drogoul could have handled such huge illegal transactions without the knowledge or help of someone outside his small branch.

Earlier this summer, Judge Shoob called for the appointment of an independent counsel, saying he was concerned that the government might have worked out a guilty plea to keep Mr. Drogoul from publicly implicating others and possibly causing political embarrassment for the Bush administration. Mr. Drogoul pleaded guilty on June 2 to 60 of 347 counts of conspiracy and fraud and is scheduled to be sentenced in two weeks.

In a hearing in Atlanta, a transcript of which was unsealed Wednesday, Ms.

McKenzie told Judge Shoob that the government had turned investigative somersaults to ease his suspicions, "going beyond what would normally be done in a regular case."

"We already knew the answers to most of this stuff," she said, "but because there is such a high perception out in the world that Drogoul has all of this hot information that would incriminate public officials — whether elected, appointed, anointed or whatever — we felt like we had to address the court's questions first."

Sheila Tyler, a public defender who represents Mr. Drogoul and attended the questioning sessions, vouched for Ms. McKenzie's account. The information he was providing to the government was not believable, she said, adding that it was "based on things like, literally, a grant or a look on their face or a certain gesture."

At one point, Mr. Drogoul said he had heard from an unidentified person that Vice President Dan Quayle, while serving in the Senate, helped an Indianapolis company obtain a contract to build a brass smelting plant financed partly by BNL. Ms. McKenzie said. But company officials told investigators that Mr. Quayle had nothing to do with the contract, she said.

The Justice Department sought to unseal the transcript of the July 7 hearing to help defuse the controversy over how the BNL investigation was handled. Two months ago, a group of House Democrats requested an independent inquiry into whether the Bush administration broke any laws in trying to aid

Iraq or limit the political repercussions of that support. Attorney General William P. Barr denied the request Aug. 10.

Loan Guarantees Cited  
The State Department and National Security Council urged President George Bush to continue federal loan guarantees to Iraq in late 1989, despite evidence that Baghdad was testing ballistic missiles and stealing technology to make bomb-grade uranium. The Los Angeles Times reported from Washington.

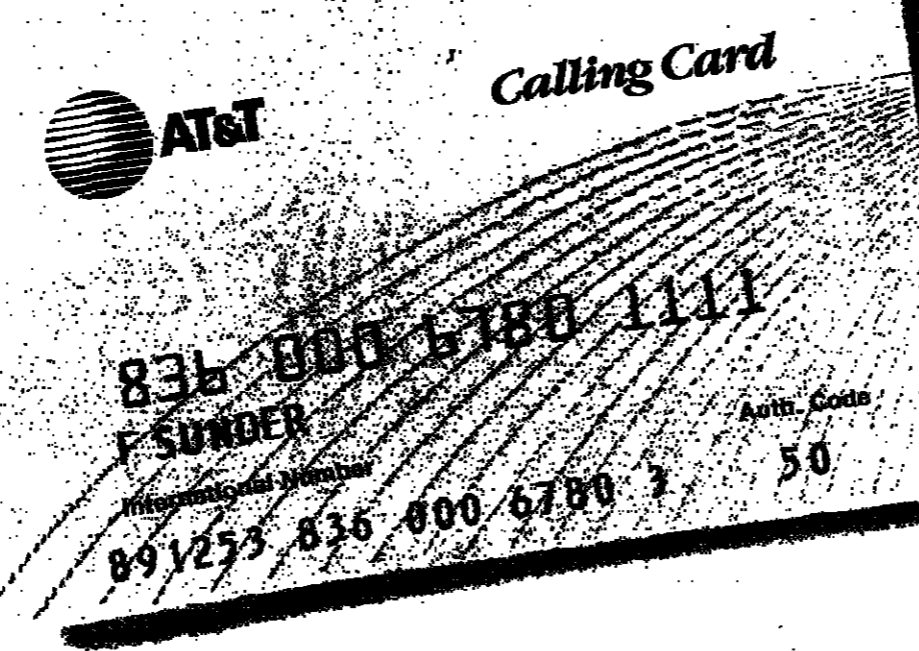
A month after the recommendation, Mr. Bush waived a provision of a federal law banning the Export-Import Bank from extending loan guarantees to that Iraq could buy U.S. goods. The law allowed Mr. Bush to extend the assistance if he determined it to be "in the national interest" to do so.

At the time, the Bush administration was trying to influence President Saddam Hussein through a series of economic incentives and sales of U.S. technology. Newly obtained classified documents provide another example of how the pro-Iraq policy flourished, despite warnings that Baghdad was developing a nuclear weapon and ballistic missiles.

Previous reports had identified intelligence warnings throughout 1989 that described Iraq's efforts to obtain military technology through front companies. The new documents show that similar warnings were specifically set aside by the State Department and the National Security Council staff so that Export-Import guarantees could be renewed.

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(Reuters, AFP, AP)

## No U.S. Aides Implicated on Iraqi Loan

**There Isn't Evidence Officials Knew of Illegal Scheme, Prosecutor Says**

By Sharon LaFraniere  
*Washington Post Service*  
WASHINGTON — Government prosecutors have told a federal judge they have no evidence that anyone in the U.S. government knew about the \$5.5 billion in illegal loans to Iraq made by a branch of an Italian-owned bank.

Assistant U.S. Attorney Gale McKenzie said Christopher P. Drogoul, branch manager in Atlanta of the Banca Nazionale del Lavoro, had not implicated any U.S. officials in discussions with government investigators, according to documents made available this week.

The question of whom Mr. Drogoul might implicate has hung over the case since it began three years ago. The U.S. district judge in charge of the case, Marvin H. Shooch, has repeatedly expressed skepticism that Mr. Drogoul could have handled such huge illegal transactions without the knowledge or help of someone outside his small branch.

Earlier this summer, Judge Shooch called for the appointment of an independent counsel, saying he was concerned that the government might have worked out a guilty plea to keep Mr. Drogoul from publicly implicating others and possibly causing political embarrassment for the Bush administration. Mr. Drogoul pleaded guilty on June 2 to 60 of 347 counts of conspiracy and fraud and is scheduled to be sentenced in two weeks.

In a hearing in Atlanta, a transcript of which was unsealed Wednesday, Ms.

McKenzie told Judge Shooch that the government had turned investigative somersaults to ease his suspicions, "going beyond what would normally be done in a regular case."

"We already knew the answers to most of this stuff," she said, "but because there is such a high perception out in the world that Drogoul has all of this hot information that would incriminate public officials — whether elected, appointed, anointed or whatever — we felt like we had to address the court's questions first."

Sheila Tyler, a public defender who represents Mr. Drogoul and attended the questioning sessions, vouched for Ms. McKenzie's account. The information he was providing to the government was not believable, she said, adding that it was "based on things like, literally, a grunt or a look on their face or a certain gesture."

At one point, Mr. Drogoul said he had heard from an unidentified person that Vice President Dan Quayle, while serving in the Senate, helped an Indianapolis company obtain a contract to build a brass smelting plant financed partly by BNL, Ms. McKenzie said. But company officials told investigators that Mr. Quayle had nothing to do with the contract, she said.

The Justice Department sought to unseal the transcript of the July 7 hearing to help defuse the controversy over how the BNL investigation was handled. Two months ago, a group of House Democrats requested an independent inquiry into whether the Bush administration broke any laws in trying to aid

Iraq or limit the political repercussions of that support. Attorney General William P. Barr denied the request Aug. 10.

**Loan Guarantees Cited**

The State Department and National Security Council urged President George Bush to continue federal loan guarantees to Iraq in late 1989, despite evidence that Baghdad was testing ballistic missiles and stealing technology to make bomb-grade uranium, the Los Angeles Times reported from Washington.

A month after the recommendation, Mr. Bush waived a provision of a federal law banning the Export-Import Bank from extending loan guarantees so that Iraq could buy U.S. goods. The law allowed Mr. Bush to extend the assistance if he determined it to be "in the national interest" to do so.

At the time, the Bush administration was trying to influence President Saddam Hussein through a series of economic incentives and sales of U.S. technology. Newly obtained classified documents provide another example of how the pro-Iraq policy flourished, despite warnings that Baghdad was developing a nuclear weapon and ballistic missiles.

Previous reports had identified intelligence warnings throughout 1989 that described Iraq's efforts to obtain military technology through front companies. The new documents show that similar warnings were specifically set aside by the State Department and the National Security Council staff so that Export-Import guarantees could be renewed.

## Vietnam, Protesting, Tells China to Halt Oil Surveys

*Agence France-Press*  
HANOI — Vietnam demanded the immediate withdrawal Friday of two Chinese ships that it said were violating its territorial waters and blocking shipping lanes in the Gulf of Tonkin.

Deputy Foreign Minister Vu Khoan summoned Ambassador Zhang Dewi of China to the Foreign Ministry to protest the presence of the vessels. Mr. Vu said Chinese radio broadcasts were warning all ships to stay clear of the

two ships, which are exploring for oil in the Gulf of Tonkin.

"The Vietnamese government asks the Chinese government to ask the concerned Chinese organizations and localities to immediately suspend the project and to not undertake similar activities in the future," the statement said.

"These facts do not help create favorable conditions for the upcoming negotiations," it said.

Vice Foreign Minister Xu Dunxin of China is to visit Hanoi late this month to discuss the disputed land border between the two Asian neighbors, Vietnamese sources said.

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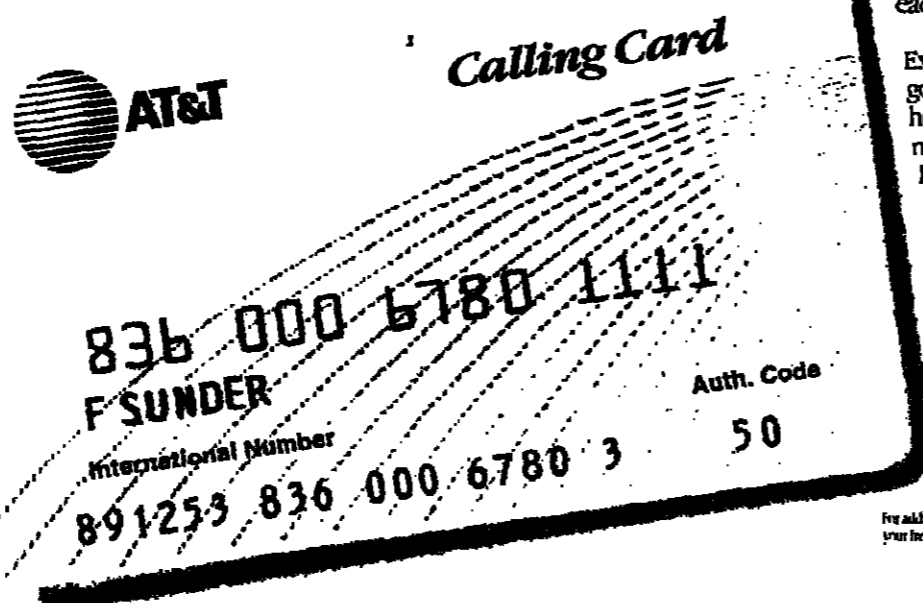
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Susan Rothenberg and "INGspray" (1984-85), one of her "Mondrian" series of paintings.

The Yearning for Figuration
Susan Rothenberg's Long, Lonely Quest for Form

Manhattan, where she shared an apartment with a college friend, Mary Wornow. Rothenberg discovered the New York art scene from Larry Poons and his dots to Jasper Johns's version of Pop Art. Then came graduation in 1967, a brief attempt to study at the Corcoran School of Art at George Washington University and life in Washington. She had a nervous breakdown but, cautiously, produced at that moment the first three paintings she felt satisfied with.

California, her marriage and her figural art came apart. For the next two years, Rothenberg's painting consisted of head profiles barely recognizable as such, of frontal views of horses in heavy black outlines ever more geometrical or associated with unrelated motifs. "Washbone," of 1979, juxtaposed a shadowy frontal view of a horse and an outside chicken wishbone in all black tonalities. "Turning Fork," done a year later, is part horse and part tongue.

From the debris of figuration, Rothenberg went over to the minimalist caricature of it. In "Black Head," painted in 1980-1981, a graffiti-style, thick white outline of a head with two slits for the eyes is superimposed over a hand outline in the same thick white strokes. Framed by two irregular contours, one acid yellow, the other orange, it stands out against a blackish ground like an angry schoolboy's doodle on a blackboard. The mood became ever darker, the draftsmanship more simplistic. "Self-Portrait," of 1982, could be a black sketch of an Aztec jade mask with a hand dangling down, and "Blue Bars" shows, indeed, three short blue strokes in the midst of an expanse of trailed white with a vague cartoon-style profile facing a tilted hat of sorts — or maybe a bowl. Destructive and obsessive pointlessness about sums it up.

SOUREN MELIKIAN

Then, gradually, figuration began to re-emerge out of empty chaos. It started with weird, violently expressionistic forms — grinning faces, skeletal profiles — and veered to shadowy impressionistic compositions. "Red Man," painted in 1985-1986, is a standing figure seen through a whirlwind of white and dark green strokes like colored rain brushed across a glass pane. "Holding the Floor" is like an unconscious reminiscence of Degas. A dancer — the author of the book, we are told — stands on one leg, one arm stretched out in a haze of short white, blackish and yellowish strokes.

Uncovering Japan's Buried Past

By Holland Cotter
New York Times Service

WASHINGTON — Behind its utilitarian title and strong archaeological bias, "Ancient Japan" at the Arthur M. Sackler Gallery of the Smithsonian Institution sets some notable precedents for Japanese art in America. It is the first exhibition in the West devoted to that country's prehistoric art. More important, the 250 objects gathered here, many of them of great beauty, prompt a re-examination of long-held opinions about Japanese art.



A sixth-century horse in the "Ancient Japan" exhibition in Washington.

"Ancient Japan" is divided into five chronological sections: the Paleolithic, the Jomon, the Yayoi, the Kofun and the Asuka. The stone blades, adzes and scrapers in the first room are like some of the other artifacts in the show, fairly short on visual interest. However, the great curator, Richard Pearson, an anthropologist from the University of British Columbia, has fleshed them out with photographs and texts. But with the Jomon period (10,500 to 400 B.C.), the show takes on the excitement of discovering a new and exotic art. Jomon clay pottery constitutes the oldest known body of prehistoric ceramics in the world. In the earliest work, abstract surface designs were created by pressing twisted and knotted ropes into the wet clay. Later, relief elements — pellets and claylike rolls of clay applied before firing — give the pots a vivid sculptural liveliness, with the same combination of ornament and accident favored by Japanese ceramics ever since.

Jomon figurative sculptures raise tantalizing questions about more remote cultural influences. Tubular and doll-like, they were often ritually broken, but one that survives intact and is shown here has swollen, slitlike eyes that resemble the wood or bone goggles worn for protection against weather by the Inuits of North America today. Although this trans-Pacific connection remained unexplored, there is little question that Japan experienced the influx of a new population, called the Yayoi after its pottery, around 400 B.C. The Yayoi pieces in "Ancient Japan" include a new style of red-colored ceramics with bowls poised elegantly atop attenuated pedestals; here for the first time dishes for serving food and for eating it are differentiated. But the great objects here — and they are among the most impressive Japan has ever produced — are the cast bronze bells called dotaku. Possibly derived from Korea, dotaku were first created to be rung and later were made strictly as aesthetic objects. Their most striking feature is the fabric of patterns and images in low relief that plays over their surfaces. In the succeeding Kofun period (A.D. 150-600), imperial Japan is to be found in its infancy. Studies of burial sites, including some of the great mound tombs called kofun, have revealed that great wealth was now concentrated in the hands of a few powerful rulers. Such wealth is typified by Chinese-inspired bronze mirrors and rich jewelry displayed in the Sackler show, but the clearest impression of

FOR SALE/SOLD

Jeans Are 'In' at Drouot: Once worn by working pioneers who built the New World and later the symbol of the rock 'n' roll rebels, blue jeans are now being auctioned to investors and nostalgics at Drouot in Paris for the first time. Drouot has organized a sale on Monday with Levi Strauss' some of the most valuable jeans and publicity items, mainly from estimates of 1930s to the 1970s, ranging from estimates of several hundred dollars to \$30,000 — the latter for a giant pair of jeans on an 11.5 foot (3.5 meter) cardboard effigy of Gene Aymy that was used as an advertisement in the 1930s. "You have to ask yourself if it's a gadget market or a market that will hold," said Frederic Elkaim, a press officer at Drouot. "Something tells me that it will hold." The items for sale in the

Drouot auction will be exhibited at the auction house until Sept. 14. Mammock's Medals: The Victoria Cross and other medals of Captain Edward Mammock, Britain's top-scoring fighter pilot, will be auctioned Sept. 19, Sotheby's said in London. "Mammock's exploits in World War I were legendary so there could be a new price record, perhaps up to £150,000 [\$285,000]," predicted the firm's medals expert, David Erskine-Hill. He added, "He was the most decorated British pilot in World War I." Mammock was shot down in France in 1918 as he flew low over a German plane he and another pilot had just destroyed. The sale lot includes his identity tags returned through the Red Cross by the unknown German soldier who buried him.

Early Americana: For more than a half-century, Lillian Blankley Cogan hung price tags on every item in the parlor and bedrooms of her home in Farmington, Connecticut. But Mrs. Cogan, the doyenne of Americana dealers, managed to forestall selling some of her favorite 18th-century antiques, including a William and Mary butterfly table, a Connecticut blanket chest and 29 New England chairs adorned with hearts and crowns. At her death in December at the age of 93, the house where she had lived and conducted her antiques business was crowded with furnishings from the 17th to the 20th centuries. All 340 offerings are to be auctioned Monday by Christie's of New York in a sale estimated to bring as much as \$600,000.

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# NYSE

Friday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

NYSE	
Symbol	Price
IBM	114.75
Microsoft	78.25
American Express	66.00
Johnson & Johnson	53.125
Merck	35.50
Pfizer	24.875
Schering-Plough	27.50
Sun Chemical	17.625
Merck & Co	35.875
Pfizer Inc	24.875
Schering-Plough Corp	27.50
Sun Chemical Co	17.625
Merck & Co Inc	35.875
Pfizer Inc	24.875
Schering-Plough Corp	27.50
Sun Chemical Co	17.625

NYSE High-Lows		
Symbol	High	Low
IBM	115.00	114.50
Microsoft	79.00	78.00
American Express	67.00	66.00
Johnson & Johnson	53.50	53.00
Merck	36.00	35.50
Pfizer	25.00	24.75
Schering-Plough	28.00	27.25
Sun Chemical	18.00	17.50

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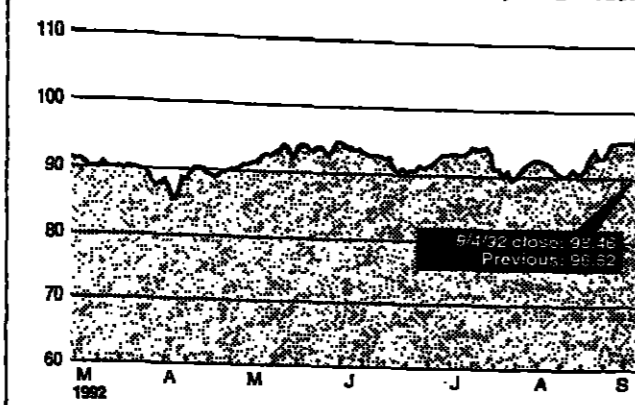
# BUSINESS

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### THE TRIB INDEX: 98.46

International Herald Tribune World Stock Index, composed of 230 internationally investible stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Region	Approx. weighting	Index	Prev.	Change
Asia/Pacific	25%	91.49	88.88	+2.61
Europe	40%	104.22	101.36	+2.86
N. America	35%	98.46	98.53	-0.07

Industrial Sectors	PL	Prev.	% change
Energy	97.52	97.44	+0.08
Utilities	96.23	94.77	+1.46
Finance	91.75	88.26	+3.49
Services	101.08	101.26	-0.18
Capital Goods	99.85	99.00	+0.85
Raw Materials	103.36	101.24	+2.09
Consumer Goods	101.95	99.54	+2.42
Miscellaneous	104.07	103.11	+0.93

For readers desiring more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to Trib Index, 181 Avenue Charles de Gaulle, 92021 Neuilly Cedex, France.

## ECONOMIC SCENE

### Now Conservatives Fight Bush Over Capital Gains

By Steven Mnson  
Washington Post Service

WASHINGTON — President George Bush has risked the ire of conservative Republicans by rejecting their urging to index the capital gains tax by executive order, a move that would have sharply reduced the taxes Americans pay on their investments. After first saying the issue was "on the front burner," the White House quickly reversed itself on Thursday after the Justice Department said the president did not have the authority to act unilaterally.

### Indexing would have bolstered the economy, backers argued.

Conservative Republicans have argued that indexing capital gains would bolster the economy and make Mr. Bush look as if he were taking decisive action on the economic front, although many economists have disputed its impact.

## CURRENCY & INTEREST RATES

Cross Rates	Sept. 4
Australian	1.53 1.59 1.073 0.374 0.242
British	1.62 1.68 1.062 0.388 0.256
Canadian	1.27 1.33 1.062 0.388 0.256
French	1.66 1.72 1.062 0.388 0.256
German	1.75 1.81 1.062 0.388 0.256
Japanese	162 168 1.062 0.388 0.256
Swiss	1.75 1.81 1.062 0.388 0.256
Yen	162 168 1.062 0.388 0.256

### Ukraine Increases IMF Aid Request

By Brandon Mitchener  
International Herald Tribune

KIEV — Ukraine's prime minister said Friday he had asked for up to \$6.5 billion from the International Monetary Fund to stabilize the country's proposed currency.

### China's Finance Minister Leaves Post

By Brandon Mitchener  
International Herald Tribune

BEIJING — Finance Minister Wang Bingqian has resigned after facing pressure for China's deepening budget deficit, the official Xinhua news agency said Friday.

## Low Confidence Hurts German Orders

By Brandon Mitchener  
International Herald Tribune

FRANKFURT — Orders to German industry dropped in July, the government announced Friday, reflecting what analysts said was weak consumer confidence that threatened to sap strength from an already sputtering economy.

## China's Finance Minister Leaves Post

By Brandon Mitchener  
International Herald Tribune

BEIJING — Finance Minister Wang Bingqian has resigned after facing pressure for China's deepening budget deficit, the official Xinhua news agency said Friday.

## U.K. Slump: Two More Years?

By Brandon Mitchener  
International Herald Tribune

LONDON — In one of the bleakest forecasts yet for the British economy, the chairman of a leading conglomerate, Pearson PLC, on Friday predicted two more years of recession.

## Delors, Irked Over Grain, Is 'Glad' He Rebuffed U.S.

By Brandon Mitchener  
International Herald Tribune

BRUSSELS — The president of the EC Commission, Jacques Delors, obviously irritated by a major expansion in U.S.-subsidized wheat exports, said Friday he was glad that he had not made concessions to the United States in global trade talks.

## Deep Cuts Mean Hard Times in New York's Diamond District

By Allen R. Myerson  
New York Times Service

NEW YORK — A few years ago, the scent of cheese blintzes and the buzz of shop talk filled Berger's Deli, a restaurant long before the first rays of sunlight glinted down West 47th Street. No more. Now, only during normal breakfast hours do the counter stools and stackable chairs begin to fill up at this narrow hang-out in the diamond district.

## KLM, U.S. In Accord Over Skies

AMSTERDAM — KLM Royal Dutch Airlines said Friday it had won unrestricted access to U.S. airports under a bilateral "open skies" agreement between the United States and Dutch governments.

## De Beers In Russia Venture

By Brandon Mitchener  
International Herald Tribune

MOSCOW — De Beers Consolidated Mines Ltd. has sealed a deal in the Russian Far East, promising to set up a cutting workshop capable of producing 100,000 carats of diamonds a year, the Interfax news agency said Friday.

## THE NETHERLANDS

Among the topics to be covered are:  
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This special report coincides with the IMF meetings. For advertising information, please contact Janita Caspari in Paris at (33-1) 46 37 93 76.  
**Herald Tribune**

MARKET DIARY

Stocks Drift Lower, Ignoring Rate Cut

NEW YORK — U.S. stocks ended lower Friday in the slowest trading of the year, ignoring a cut in interest rates.

The American Stock Exchange was closed after a morning fire at a nearby building blew smoke onto the trading floor.

The Dow Jones industrial average closed 10.27 points lower, at 3,281.93.

Gainers and losers were about even. Volume on the New York Stock Exchange was very light ahead of the three-day holiday weekend, with 125.6 million shares changing hands, down sharply from 212 million on Thursday.

"Today's trading was not indicative of anything because there was no volume," said E.E. Gedduld, president of Herzog Heine Gedduld. "We'll have to wait until Tuesday to see where the market's going."

Bond traders reacted favorably to reports that U.S. nonfarm jobs declined 83,000 in August, the largest drop since a loss of 146,000 jobs in November 1991. The Federal Reserve Board was quickly seen pushing down interest rates, dropping the apparent target for federal funds to 5 percent from the previous 3.25 percent on the overnight, interbank loans.

The stock market took the data differently. "The weak economy simply isn't good for profits," said John Blair, head of trading at County NatWest.

Trading on the American Stock Exchange was halted Friday morning when smoke from a fire one block north of the exchange filled the floor.

Retail stores were among the biggest decliners on the Big Board. Activity in that sector was largely a carryover from Thursday, when several retailers reported disappointing sales figures for August.

Gap Inc., which fell 2 points on Thursday, slipped 3/4, to 32 1/2. The sales figures emphasized just how weak the economy is, said John Burnett, a trader with Donaldson Lukkin & Jennerre.

General Motors was the most active issue on the New York Stock Exchange, up 1/4 at 35. GM announced a series of cutbacks on Thursday as it negotiated with striking United Auto Workers at its Lordstown, Ohio plant.

(Reuters, Bloomberg, UPI)

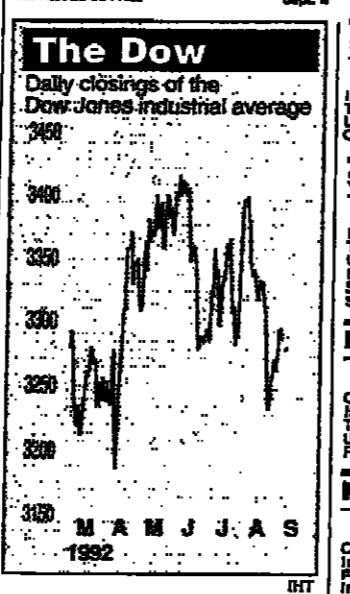


Table with columns: Vol, High, Low, Last, Chg. Lists NYSE Most Active stocks.

Table with columns: Vol, High, Low, Last, Chg. Lists NYSE Diary.

Table with columns: Vol, High, Low, Last, Chg. Lists NASDAQ Diary.

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Table with columns: Open, High, Low, Last, Chg. Lists Dow Jones Averages.

Table with columns: High, Low, Close, Chg. Lists Standard & Poor's Indexes.

Table with columns: High, Low, Close, Chg. Lists NYSE Indexes.

Table with columns: High, Low, Close, Chg. Lists NASDAQ Indexes.

Table with columns: High, Low, Close, Chg. Lists Dow Jones Bond Averages.

Table with columns: High, Low, Close, Chg. Lists EUROPEAN FUTURES.

Table with columns: High, Low, Close, Chg. Lists Food.

Table with columns: High, Low, Close, Chg. Lists Metals.

Table with columns: High, Low, Close, Chg. Lists Stock Indexes.

Table with columns: High, Low, Close, Chg. Lists Dividends.

Orion Loss for 4th Quarter Widens NEW YORK (Bloomberg) — Orion Pictures Corp., struggling to emerge from bankruptcy, said Friday its fourth-quarter loss was \$210 million.

DETROIT (Bloomberg) — A nine-day strike at a General Motors Corp. plant in Lordstown, Ohio, caused GM's assembly plants in Wilmington, Delaware, and Lansing, Michigan, to halt car production Friday because of parts shortages, company officials said.

ST. PETERSBURG, Russia (Bloomberg) — Philip Morris International said Friday it planned to build a factory in the St. Petersburg area for the production of Marlboro brand and other cigarettes.

NEW YORK (Reuters) — Standard & Poor's Corp. said Friday it may cut its AA-plus claims-paying rating on Allstate Insurance Co. and the AAA rating on Allstate Life Insurance Co. and units.

ANAHEIM, California (Bloomberg) — Carl Karcher Enterprises Inc. said Friday that its chairman, Carl Karcher, has held discussions with an unidentified investment group concerning a joint buyout of the company.

LONG GROVE, Illinois (AP) — Kemper Corp. on Friday dropped a plan to buy employee-owned shares of its 90 percent-owned Kemper Financial Cos. unit because Kemper Corp's stock has weakened.

Chevron Chemical Co. said it was seeking offers to buy its Orbo division, which makes lawn and garden products. (AP) Courier Corp. said it would close an unprofitable book factory in East Kilbride, Scotland, by the end of the month, eliminating 50 jobs. (AP) Dresser Industries Inc. said an U.S. appeals court had vacated a lower court's ruling that Dresser and Baker Hughes Inc. pay \$175 million in damages for overcharging Parker & Parsley Petroleum Co. (UPI)

JOBS: Fed Cuts Rates After Data

(Continued from page 1) wide poker game of everyone looking for cheap labor."

For Mr. Bush to have a reasonable shot at re-election, joblessness needs to fall to 7.2 percent, its level before February, said John Silvia, chief economist at Kemper Financial Co. in Chicago.

He based that on election results going back to 1960, which show that in seven of the eight presidential races, the incumbent lost when unemployment rose from February to the elections, as it has so far this year.

In fact, numerous academic studies have drawn a clear correlation between the state of the economy and the election chances of an incumbent president, going back far beyond 1960, to Herbert Hoover in 1932.

Currency-market economists expressed their political views even more starkly. "The jobs figures were horrible, there is no doubt about that," said Robin Aspinall, chief strategist at Panmure Gordon in London.

"They are the death of George Bush as president, and I think the markets are still digesting that fact," he said, according to a Reuters dispatch.

As for the potential effect of the figures on the U.S. currency, Jim O'Neill, head of research at Swiss Bank Corp. in London, said: "I can see the dollar at 1.35 marks and probably lower. Things are getting very messy indeed."

The all-time low is 1.3660 DM in New York, down a penny and a half from its Thursday close of 1.4155 DM but off almost 4 pence from its level of 1.4390 DM in other markets shortly before New York trading began.

Traders said the dollar was prevented from sliding further by the confounding of the long Labor Day weekend and speculation about a German interest rate cut or a common policy to sell the mark.

The dollar fell Friday against other currencies, as well. It closed at 123.125 yen after 123.950 at Thursday's close, at 4.7685 French francs after 4.8210 francs and at 1.2506 Swiss francs after 1.2660.

The pound gained to \$1.9960 from \$1.9830.

Ailing Svenska Kredit's Stock Suspended

STOCKHOLM — Share trading in the ailing Swedish loan institution Svenska Kredit was suspended at the company's request Friday, the Stockholm stock exchange said.

The share closed at 3 kronor (60 cents), untraded on Thursday, after it unexpectedly postponed the release of its six-month report to next Wednesday.

The insurance companies Skandia AB and Trygghansa SPP Holding AB control Svenska Kredit with capital stakes of 47 percent and 46.5 percent, respectively. In December, the two guaranteed a 500 million kronor Svenska Kredit share issue to help bolster its balance sheet.

Svenska Kredit reported a 1991 pretax loss of 608 million kronor (\$117 million) as the result of a record number of bankruptcies in the construction business during the year.

Trygghansa's chief executive, Bjorn Sprangare, refused to answer at the company's annual meeting in June when asked whether Trygghansa was prepared to take on ownership responsibilities for Svenska Kredit if that company were in danger of bankruptcy. (APF, Reuters)

U.S. FUTURES

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Table with columns: Season, High, Low, Open, High, Low, Close, Chg. Lists Financial.

Table with columns: Season, High, Low, Open, High, Low, Close, Chg. Lists Food.

U.S. / AT THE CLOSE

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Table with columns: Season, High, Low, Open, High, Low, Close, Chg. Lists Commodity Indexes.

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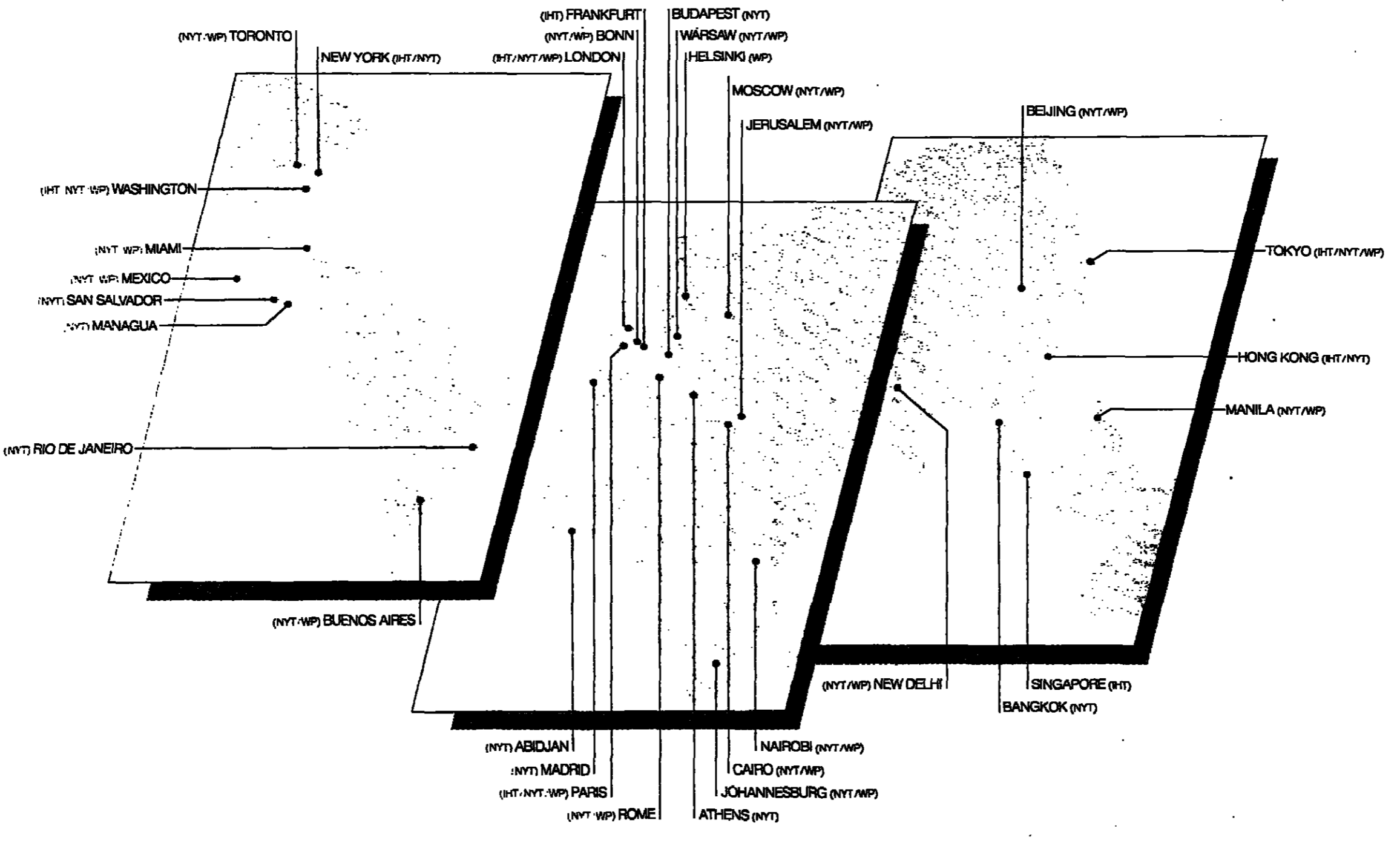
### NASDAQ

Friday's Prices  
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Symbol	Price	Symbol	Price
AA	22 1/8	IBM	123 1/4
AAE	1 1/4	INTL	37 3/4
AAI	1 1/2	INTL	38 1/4
AAJ	1 1/2	INTL	39 1/4
AAK	1 1/2	INTL	40 1/4
AAAL	1 1/2	INTL	41 1/4
AAAM	1 1/2	INTL	42 1/4
AAAN	1 1/2	INTL	43 1/4
AAAO	1 1/2	INTL	44 1/4
AAAP	1 1/2	INTL	45 1/4
AAAP	1 1/2	INTL	46 1/4
AAAR	1 1/2	INTL	47 1/4
AAAS	1 1/2	INTL	48 1/4
AAAT	1 1/2	INTL	49 1/4
AAAU	1 1/2	INTL	50 1/4
AAAV	1 1/2	INTL	51 1/4
AAAW	1 1/2	INTL	52 1/4
AAAX	1 1/2	INTL	53 1/4
AAAY	1 1/2	INTL	54 1/4
AAAZ	1 1/2	INTL	55 1/4
AAA	1 1/2	INTL	56 1/4
AAA	1 1/2	INTL	57 1/4
AAA	1 1/2	INTL	58 1/4
AAA	1 1/2	INTL	59 1/4
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AAAM	1 1/2	INTL	42 1/4
AAAN	1 1/2	INTL	43 1/4
AAAO	1 1/2	INTL	44 1/4
AAAP	1 1/2	INTL	45 1/4
AAAP	1 1/2	INTL	46 1/4
AAAR	1 1/2	INTL	47 1/4
AAAS	1 1/2	INTL	48 1/4
AAAT	1 1/2	INTL	49 1/4
AAAU	1 1/2	INTL	50 1/4
AAAV	1 1/2	INTL	51 1/4
AAAW	1 1/2	INTL	52 1/4
AAAX	1 1/2	INTL	53 1/4
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AAA	1 1/2	INTL	98 1/4
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AAA	1 1/2	INTL	100 1/4

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مكنا من الأصل

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Japan Blames Yen for Rise in Exports

Compiled by Our Staff From Dispatches TOKYO — A rising yen and a stalled domestic economy combined in July to create another in a series of huge surpluses in Japan's current account, the government reported Friday.

doesn't look as if it will be until something like the middle of next year. Within the current account, the nation's trade surplus, not adjusted for seasonal variations, grew to \$11.65 billion in July from a revised \$8.62 billion a year earlier.

Exports measured in yen grew only about 1.97 percent in July, they noted. "It's not an export drive," said Paul Sumner, economist at Jardine Fleming Securities Ltd.'s Tokyo branch.

Nomura Cuts Forecast of Japanese Profits

TOKYO — The prolonged economic slump will slash current profits at Japan's major companies by an average of 17.9 percent this financial year, Nomura Research Institute forecast on Friday.

adjustment, are the main reason for the downward revision," the report said. The drop in consumption has led to a pile-up of inventories. The survey covers 400 companies but excludes financial institutions.

Overseas Investors Resume 'Buy' Stance

TOKYO — Led by U.S. pension funds, foreign investors became net buyers of Japanese stocks again in July after recording net sales in June for the first time since December 1991, the Finance Ministry said Friday.

Hong Kong Counts Cost Of U.S. Tariffs on China

HONG KONG — Hong Kong's economy will be hurt badly by the United States' new threat to impose punitive tariffs on a \$3.9 billion "hit list" of exports from China, according to Hong Kong government estimates.

analysis is based on last year's trade data, it may underestimate the impact of the sanctions, said a government economist, Edmund Lee. Last year, re-exports of Chinese goods to the United States totaled about 104 billion Hong Kong dollars.

Listing Talk Trims Drop In Shanghai

HONG KONG — Chinese shares' long decline continued Friday, and only talk that some new listings would be postponed saved the market from an even larger drop.

All markets fell, but the rumor that further a share listings in Shanghai would be delayed helped to limit losses there, with the Credit Lyonnais Shanghai A index falling a relatively modest 1.80 percent.

Currency Riots in N. Korea

TOKYO — Rioting broke out in several North Korean cities after the government ordered citizens to exchange old bank notes for new ones but imposed a limit on how much could be converted.

The agency quoted Western diplomatic sources who recently returned to Beijing from North Korea as saying that the riots erupted after the decree was issued on July 15. These sources said existing notes from one won to 100 won (about 46.5 U.S. cents to \$46.51) would cease to be legal tender immediately, and that new notes of the same denominations would take their place.

Dunkel Urges End to Seoul Rice Ban

SEOUL — The head of the world's free-trade body, GATT, on Friday called on South Korea to end its ban on rice imports and allow outsiders to supply up to 5 percent of the country's consumption.

He said that by setting a "very high tariff," Seoul could allow the minimum market access of 3-5 percent. The GATT chief said his proposal was "much, much more flexible" than what had been asked by the big farm exporting nations, including the United States.

Investor's Asia table with columns for Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225, and various regional indices with their respective values and percentage changes.

Moody's Investors Service is considering a downgrading of the senior debt ratings of Nomura Securities Co., Daiwa Securities Co., Nikko Securities Co., and Yamachi Securities Co., which it already has lowered once this year due to slumping business on the Tokyo stock market.

Large table titled 'INTERNATIONAL FUNDS' containing numerous fund names, their performance metrics, and other financial data. Includes sub-sections like 'Other Funds' and 'ADVERTISMENT'.

THE MONEY REPORT

The Perils Of Being The Best

THE past performance of mutual funds is, as it should be, of intense and continuing interest to our readers. There are, however, two notes of caution to add to the customary industry health warning that prices can go down as well as up.

The first is to underline the fact that there is a difference between being best and being good. Being best, particularly over a short period of time, often means that the funds that have recorded best performances tend to produce prodigious gyrations.

Take as an example the Gaia Hedge III fund, which topped the best performers for the month of July with an astonishing gain of some 80 percent, when measured in dollar terms. That fund, on the admission of its own managers, is a vehicle with a high level of risk built into it. So while the performance in the immediate past is very attractive, investors should ask themselves what the chances are of the managers making it work all over again.

While the fund may well continue its excellent performance, the fact remains that choosing the best over short periods of time is unlikely to bring results. The emphasis—at least for less risk-oriented investors—should be on consistently good performance with relatively small price fluctuations.

The second point to bear in mind when reading performance tables is that the fund is no better than the person managing it. All it takes is one phone call and a star fund manager can be recruited to another firm. It may be a considerable time before the old stock picks start failing to perform, and the different management begins to show through in the figures.

And that of course raises the whole question of whether it's really worthwhile tracking fund performances on their own. Surely it must be worthwhile tracking the performance of individual managers as they move from firm to firm? After all, many people who gamble on horses often follow their favorite riders too. There's no getting away from it: For professionals and individual investors alike, investing is not just a numbers game, but a people business.

M.B.

In Bond Investing, Is Help Wanted?

By Rupert Bruce

DESPIITE tumult in the currency markets, historic lows in U.S. interest rates, and serious doubt over the future of Europe's exchange rate mechanism, one thing is certain: Bonds, rightly or wrongly, are in fashion. Inflation is falling in the majority of the Western world's bigger economies; one consequence is that the fixed stream of income offered by a bond is becoming ever more popular. Quite how the private investor should buy bonds is less straightforward.

A huge range of professionally managed bond funds is on offer to the international investor. But after the investor has paid out an initial fee and a further annual fee, the value that professional managers claim to add may have been wiped out. The investor might have been better off just buying a few government bonds and sitting on them.

improve performance and justify large charges. David Hager, a bond expert and partner at a firm of consulting actuaries, Bacon & Woodrow, said that professional managers could improve the performance of bond portfolios by actively managing them. But the scope for outperformance had been reduced considerably because computerized trading systems tend to iron out bond market pricing anomalies.

In Britain, his home market, he would advise private investors to ignore bond funds and just buy government bonds, called gilts. Government bonds have the added attraction to the British taxpayer of being free of capital gains tax and, in some cases, their income is paid gross of tax too.

When considering investing in bonds on a global basis it obviously makes more sense to employ a professional manager. In the international arena there are additional decisions to make. The currency decision is particularly important because the foreign exchange markets can be so volatile. (This is especially true in Europe at a time of acute uncertainty about the future of the Maastricht treaty on economic and political union.) Keeping

ness Flight Global Fund, an offshore fund with a competitive track record, shows just how much of a handicap its 5 percent front end charge is. After deduction of the charge, the fund has failed to match the Salomon World Bond Index over the last five years, according to Micropal Statistics. But before that charge, the fund shows a handsome margin of outperformance.

The argument against bond funds is strongest in the arena of domestic bonds. There are fewer decisions to be made when managing domestic bonds, particularly if you are limited to government bonds, and they mainly concern the maturity of a bond. For these reasons there is both less risk for a private investor to worry about and less opportunity for a professional manager to

After an investor has paid out an initial fee and a further annual fee, the value that professional managers claim to add may have been wiped out. The investor might have been better off just buying a few government bonds and sitting on them.

Picking a Bond Portfolio

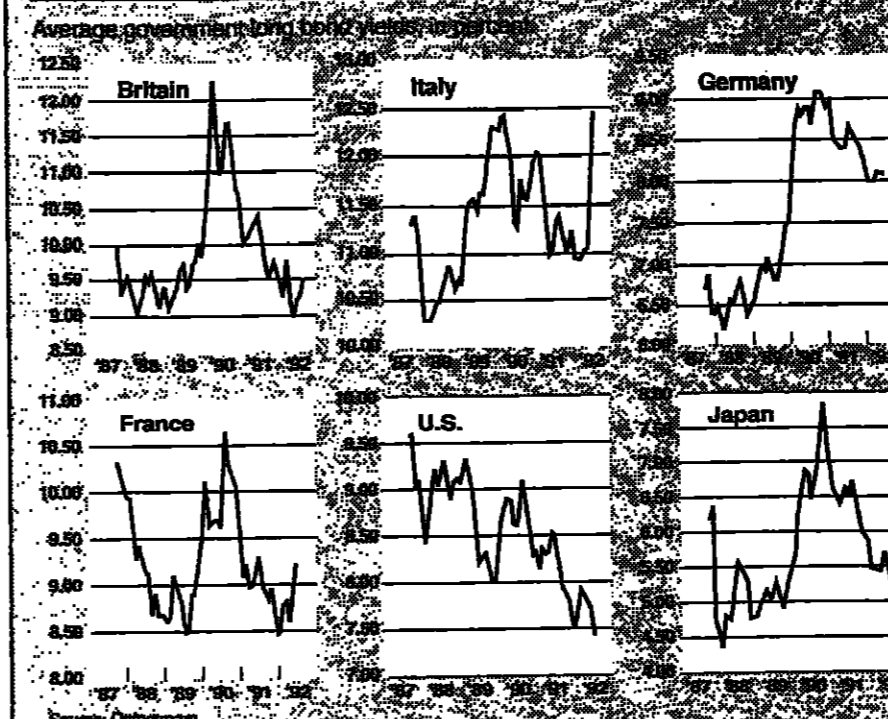


Table titled 'Best Performing Bond Funds' listing various funds and their performance metrics.

track of currencies also requires a wealth of knowledge and time. So there is more risk, but also a greater chance for a good professional manager to prove himself worth the fee. At the moment, for example, the consensus among bond fund managers seems to be that European bonds markets have the best prospects for the next 12 months because local interest rates badly need to fall if the continent's economies are to return to health. But what currency to be in is a separate and thorny issue.

However, some believe that few bond managers prove their worth on the international market. Mr. Hager said: "There is not that much difference between a good manager or a bad manager." That is because many managers try and keep their fund's performance close to that of a chosen index. Nevertheless, there is a sound argument for investing in at least part of any bond portfolio globally. Gordon Johns, managing director of Kemper Investment Management, said that diversifying into foreign bond markets reduces the volatility of returns.

Studies have shown that volatility tends to decrease until about 40 percent of a portfolio is invested abroad. After that volatility creeps up once more. But, once again, the 3

percent initial fee charged by bond funds may outweigh any benefits to be gained.

However, the managers of some bond funds have taken action to reduce their initial fees for large investors. The U.K.-based Guinness Flight, for example, charges an initial fee of just 1 percent on investments of £50,000 (\$99,965) and over.

But even the smaller investor may be about to see an across-the-board reduction in charges. Many investment management companies realize that they now have a good chance of attracting more money to their bond funds if they can neutralize the deterrent of the initial charge.

A Looming Crisis of Identity for the EMS

By Conrad de Aenlle

EUROPE and its financial institutions are in a crisis. French President François Mitterrand appeared in a televised debate Thursday night and enlisted the help of German Chancellor Helmut Kohl to plead for the French nation's approval of the Maastricht treaty. A "no" vote to the proposals for greater European union would have important political and economic ramifications.

One almost certain consequence of a "no" vote would be an even greater crisis for the already ailing exchange rate mechanism (ERM). But there is certainty ends: Analysts are divided on what will happen to equities and interest rates around Europe after the vote. And the future for interest rates has huge impact on what will happen to European currencies; the British pound is bumping along the bottom of its range within the mechanism, while the Deutsche mark continued to soar ahead against the Europeans and the dollar in Friday's trade.

"If there's a 'no' vote in France, the whole issue of EMU will be reconsidered," said Richard Conquest, chief economist of the Daiwa Institute of Research. "Even a close call is sufficient for reexamination, a lot of new thinking of what we're going with ERM and the strict discipline of German policy. The whole idea of Europe will be called into question, and a period of quite considerable uncertainty will follow."

Actually, the uncertainty is already here and has been since Danish voters narrowly defeated their referendum on the treaty in early June. That "no" led to an endless summer in which stock markets in Britain, France, Germany, Italy and Spain have fallen between 15 and 25 percent. Uncertainty is often worse than bad news, and little will be clarified before Sept. 20.

"We're worried, full of uncertainty. That's the problem for investors; you have three weeks of uncertainty, and markets hate uncertainty," Roger Palmer, chief investment strategist at Kleinwort Benson Securities, said a few days ago.

Even though equity valuations are attractive, very few fund managers are going to risk their jobs and buy shares now. It will be the very senior fund managers who can take the long-term view, and whose jobs are not implicitly at risk, who will say, "Hang on, lads." The danger is shortening as time goes by. As sure as eggs is eggs, German interest rates are going to come down in a short- to medium-term horizon. Even pessimists expect rates to come down in six months.

That is seen as essential for a sustained recovery in European equities. Until it happens, the German central bank will continue to be viewed as the villain of the piece.

"The Bundesbank's tough monetary stand works through the ERM to keep other European countries' monetary policies on a tight leash," explains a recent report by the bankers J.P. Morgan. "We project that the combined impact of high real rates of interest, strong currencies and some fiscal tightening will keep growth in Europe under 1

percent this year, and barely more than 1 percent next year."

While much blame is heaped on Germany, some of it also is being placed on the United States and the sinking dollar. "There's no chance of supporting the dollar with high U.S. interest rates, given the weakness of the recovery," said J. Paul Horne, in Smith Barney's Paris office. "When capital leaves the dollar, it goes directly into the Deutsche mark. They trust the Bundesbank more than they trust the Bank of England or the Banque de France, or the Federal Reserve Board, for that matter. The dollar crisis is triggering a European crisis."

And right now Britain is feeling the brunt of it. Intervention to buy the pound is the best hope mainly because it is the only hope of averting much worse financial straits. "As long as we're in ERM, the government has no choice but to ride out the storm," Mr. Conquest said. "The last thing they need is an increase in rates. The Bank of England will try every which way to avoid that—if luck is with them."

He said an interest rate rise was a 50-50 proposition. Mr. Horne said Britain's brain trust was in some ways only getting what it deserves. "The British are paying the price for not raising their rates since they came in [to ERM] in 1990," he argued. "If you raise short-term interest rates in response to currency weakness, you can lower them soon after. If you show you're chicken, the market will be quite unforgiving. The British haven't learned that. It's a tough world. As soon as the markets understand and believe the government is willing to take the heat for a couple of weeks or months, the selling of the pound will abate."

As bad as a prolonged increase in leading rates would be to the

foundering U.K. economy, devaluing the pound would probably be worse, igniting an exodus of money from the island and, in the end, higher rates just the same.

The J.P. Morgan report sees it as a serious threat. The strains on sterling, it says, "are creating a significant risk of a general realignment."

Mr. Conquest, however, insists there is no immediate danger. He noted that the chancellor of the exchequer, Norman Lamont, has declared it will not happen with the kind of "read my lips" certitude more notorious on the other side of the Atlantic.

"Devaluation would induce a major crisis of confidence," Mr. Conquest said. "It's not negotiable."

At least not now. After the French referendum, though, he thinks the issue may be taken up, and with good reason: "Regarding ERM as 100 percent inflexible is a mistake when you have 12 structures with different economic cycles. What we're trying to do with Maastricht and the whole EMU concept is revolutionary, not evolutionary."

"The bond markets will suffer substantially. The Deutsche mark will probably take off even more than it has and you'd have a substantially larger realignment against the line and somewhat smaller against other European currencies."

The good news is that "if the French vote out, there'll be quite a recovery of 10 to 15 percent through the end of the year. With the Bundesbank easing late this year or early next, equity markets here in Europe could be up another 10 percent."

Mr. Conquest expects the British market to stay in a protracted state of the type seen in the 1970s. As long as the currency dilemma continues, "the U.K. market is bound to lose out."

Mr. Palmer is the most upbeat. He sees little risk in stocks, even if the French vote against the treaty, although "very short term the markets will have even more extreme pain and grief. If the vote is 'no,' he said, Germany and Holland become better places to invest, while a "yes" vote makes France attractive.

"Everyone in Europe can see all the uncertainties—the risk of revaluation, the risk of higher rates. No one wants to look at the other side of the coin: What is the downside risk? What is already discounted in the market? A heck of a lot."

By the way, he does not expect sterling's ERM band to change. "The politicians are committed," he argued, "and even if you have a 'no' vote in France, which will totally upset the apple cart, with all the other Euro-skeptics becoming more vociferous, then by the end of the day the politicians will find a way of cobbling a mended treaty together."

Not everyone will like it, of course, but as he pointed out, "in democracies they've got four years, even if there are demonstrations in the streets."

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Analysts' Estimates of U.S. Company Results

Table with columns: COMPANY, End of financial year, Earnings est. for '92, Last months est., % change, Last month's closing price, Current price, % change, P/E ratio, No. of analysts.

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THE MONEY REPORT

Back to Basics in Appraising Insurers

By Aline Sullivan

WHAT is happening to European insurers? Questions are being asked about the health of an industry that has seen one of its biggest players, the German giant Allianz, record a sharp drop in share price.

Robert Tann, an analyst at Credit Suisse First Boston, agreed that insurance stocks were declining both because asset values are dropping and because many investors expect underwriting losses this year.

Part of the earlier attraction of insurance stocks was an extremely optimistic view of where asset values were going, said Mr. Tann. "But investors should look at them as insurers. For those with a long term view it isn't a bad time to buy."

The slide in share values has been disappointing to many investors who had bought insurance stocks in the belief that high estimated net asset values would outweigh fluctuations in underwriting.

This plan worked while real estate values were rising fast in Europe. Most European accounting laws allow insurers to draw on realized gains from investment income to balance their profit and loss accounts rather than attribute the gains directly to shareholder funds.

However, not all analysts are disenchanted with net asset values. Trevor May, an analyst at Nomura Securities, acknowledged that continental European companies will be valued increasingly by their underlying performance but argued that net asset values still serve as a useful benchmark.

"Any company that is trading at asset values," meaning one whose share price is near its net asset value per share, "should make a return on equity comparable to market values overall," said Mr. May.

French insurers, which are trading at an average discount of about 40 percent of asset values, should perform well relative to other European companies, he said.

Mr. Hutterer asserts: "Shareholders are being called on to finance even grander ventures with ever-lengthening payback periods." He argues his case by pointing to recent deals like Allianz's purchase of Fireman's Fund, to which it attributed about 625 million DM of its 1991 underwriting loss.

Meanwhile, European insurers remain susceptible to falling real estate values. Continental insurers back much of their fixed income investments — for most companies about 70 percent of their total portfolios — by mortgages or related securities.

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Source: Bloomberg Business News International Herald Tribune



Driving a Bargain With the Moneychangers

By Philip Crawford

BE it during the summer vacation season, which is winding down, or the new business travel season, which is heating up, international travelers have a constant concern: obtaining local currency.

Many wonder if there is a best method of changing money, one that combines low bank charges, convenience, safety, and access to a favorable rate of exchange.

The dramatic rise in both the number of bank cardholders and ATMs worldwide has brought plastic to the forefront of the foreign exchange market.

Many experts point to the international debit card, common in Britain but nascent throughout Europe and the United States, as the best way to obtain foreign cash.

As with any type of plastic, banks are free to set their own charges on such a debit card, a common fee being 1.5 percent of the amount withdrawn.

with Europay International, Mastercard's European arm, bear the name of the issuing bank as well as the Cirrus logo, which is Mastercard's ATM network.

"At this point, the U.K. is the exception regarding widespread availability of that product," said Richard Rolfe, European editor of Credit Card Management, an industry publication.

Neither Visa nor Mastercard has such a debit card in the United States, but major banks there have begun to add international capability to their in-house ATM cards through either the Cirrus or the Plus network.

The alternative in the plastic/ATM spectrum is to use a Visa or Mastercard credit card, as opposed to a debit card, or an American Express card which has a bank credit line attached.

Change bureaus located on major boulevards frequented by tourists are notorious for offering rates far below retail rates and then attempting to lure customers with conspicuous signs that trumpet "NO COMMISSION!"

Paying one's credit card bill in full immediately upon receipt will minimize those charges.

populace — are in the habit of doing that. "The average cardholder carried an ongoing balance of over \$2,400 in 1991," said Mary Beth Butler, a spokeswoman.

"We advise our customers not to use their credit cards at ATMs except in case of emergency."

There are, of course, downsides to relying on any form of plastic: "First, you have to find a machine," said a New York banking analyst who insisted on anonymity.

Safety and reliability, of course, are the strong suit of travelers checks, which bankers say remain the most popular way to carry currencies.

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is indeed advised for those with travelers checks to cash or currency to exchange. In Paris, for example, a biweekly magazine called France-USA Contacts publishes a listing in every issue of rates offered for both dollars and pounds against the franc at 18 locations throughout town.

There is typically a 10 percent difference between the highest and lowest rates offered for both bills and cash.

While exchanging bills typically brings a rate of 2 to 5 percent higher than that for travelers checks, it can be dangerous to walk around with a lot of cash.

"Overall, plastic is the best way to go — the cheapest, most convenient, and with the best rates — provided you're sure there's going to be a machine where you're going that you can use," said Mr. Rolfe.

More Companies Recruit Foreign Shareholders

By Karina Robinson

THE enormous jump in international equity issues in the first six months of the year, to \$14.8 billion from the comparable 1991 period, shows that they are probably here to stay despite lackluster stock markets and uncertain economic recovery.

Broadly, international equity issues are shares in a company sold to investors in a number of countries. Generally such issues are too large to be taken up only by investors in the national stock market.

But are international offerings in any way different for an investor than domestic issues? One must be careful to distinguish between privatizations and other issues.

"They want to attract a broader shareholder base and capture votes as well. Anything other than a substantial premium would be unacceptable, but for other issues, anything over a 10 percent premium is wildly mispriced," the banker added.

Second, a great many U.S. companies have resorted to international equity issues, accounting for almost 40 percent of these issues in the first six months of the year, according to IFR. These have come about in part from participants in leveraged buyouts seeking an exit route, as is the case of Burlington Industries, taken private five years ago and lately responsible for a \$855 million international equity issue.

Charles Stonehill, a managing director at Morgan Stanley in London, said: "There will be a second wave of U.S. companies coming to the market where quality is crucial. Companies that are already in the market will come back to offer more."

He also asserted that numerous holdings would be unwound, such as the Anglo-American conglomerate Hanson PLC's stake in Imperial Chemical Industries PLC.

Third, and perhaps most important, privatization has become fashionable in both the developed and developing world. Due to the size of the companies involved, an international equity offering is in many cases a must.

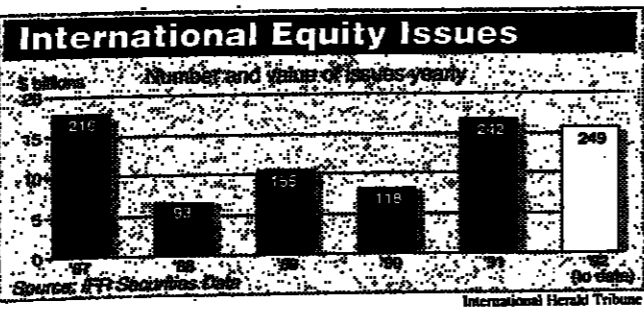
But are international offerings in any way different for an investor than domestic issues? One must be careful to distinguish between privatizations and other issues.

Another major source of privatization issues is Italy. The new coalition government led by Giuliano Amato is pressing on the accelerator. In August the four largest state-owned groups became joint stock companies, the first step on the road to privatization. Already two subsidiaries belonging to the state holding companies are due to be floated this winter, while rumors abound of a major bank to be privatized.

But it is the emerging markets of Latin America and Asia — specifically Taiwan and India — that appear among the most promising. The reconciliation taking place between the larger Latin American states and Western banks, after a decade of debt crisis and its fallout, means a number of privatizations are in the air as the government follows IMF prescriptions with the zeal of converts.

Emerging market offerings are different from the norm. "Normally, investors have never heard of the companies, so we spend a lot of time being educational," said Mr. Stonehill of Morgan Stanley. "We are selling a country."

But investors have to be aware of the rollercoaster nature of emerging stock markets and possible settlement problems.



Source: IFR Securities Dept International Herald Tribune

BRIEF CASE

A Toe in the Water for Those Jumpy About German Stocks

DIT, the mutual fund arm of Dresdner Bank, is launching two new Luxembourg-domiciled funds aimed at German and international investors.

The DIT-Lux Vario Garantie has a familiar formula. It offers investors the guaranteed return of 100 percent of their original capital stake when the fund winds itself up at the end of September 1996.

The fund is designed to appeal to conservative investors who have previously eschewed investing in stocks because of the risks.

The DIT-Lux Zerobond invests primarily of zero coupon bonds, and will wind itself up in July 2000. The bonds bought will be mostly denominated in the currencies of OECD member states, or in the pan-European hybrid currency, the Euro. Units in the fund, which has a 3 percent initial charge, may be purchased up to the end of March 1993.

The managers claim the fund offers investor the opportunity to lock in high bond yields for a longer period, plus the possibility of deferring tax liability.

For more information, write Dresdnerbank Asset Management, 60A, route de Trèves, L-2633 Senningberg, Boite Postale 179, L-2011 Luxembourg, or call Luxembourg 463 4631.

An Index of Retail Stocks To Take Consumers' Pulse

Indexes are in fashion. The latest one to be created comes from the American Stock Exchange, which has compiled an index of 15 of the largest general merchandise, clothing, equipment and appliance retailers in the United States.

At close of trading Tuesday, the total market capitalization of the stocks in the index was around \$170 billion. The index is composed of the following stocks: Dayton Hudson Corp., Dillard Department Stores, Gap Inc., Home Depot Inc., J.C. Penney Co., K Mart Corp., May Department Stores Co., Melville Corp., Sears Roebuck & Co., TTX Cos., Toys R Us Inc., Walgreen, Wal-Mart Stores Inc., and Woolworth Corp.

Sales of U.S. Mutual Funds Soared to \$32 Billion in July

Total sales of U.S. stock, bond and income mutual funds totaled \$32 billion in July, according to the Investment Company Institute, the trade body of the U.S. mutual fund industry. The July 1992 figure is sharply up from sales of just \$19.3 billion during the corresponding month in 1991.

Total redemptions by investors were \$12.9 billion over the month, compared with \$9.1 billion in July 1991. Bond and income funds accounted for \$8.1 billion of total redemptions.

"A number of factors contributed to the surge in assets. Rising stock prices added some \$10 billion to the value of equity fund portfolios and a rally in bonds raised the value of bond fund portfolios by another \$8 billion," said Dr. Jacob Dreyer, vice president and chief economist of the Investment Company Institute.

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TOP FUNDS advertisement for North Star Group of Companies, offering 17% p.a. on average over 20 years.







DAVE BARRY

Quite Royally Obsessed

MIAMI — A woman I know named Linda is deeply concerned about world affairs. Often, when a major development occurs, Linda will phone my wife to break the news.

By David Hoffman Washington Post Service TEL AVIV — Nicole Hansen was scared. She was screaming. She was carrying a heavy backpack, climbing up a rusty ladder while the sun beat down on her, and suddenly sparks and bullets were everywhere.

In Israel, Courting Film Danger Pays Off

By David Hoffman Washington Post Service Irena Shulman was watching Hansen. She wore the same hair band, the same tight, black leather boots. She climbed the ladder too, under the hot sun, to flee the Cyborgs.



Irena Shulman, an immigrant, is making her way as stunt artist in Israel.

Russians work all day for a set fee. "It's more like a lifestyle for them," he said. Instead of falling on air bags like the American performers, these stunt artists are willing to use cardboard boxes to cushion their falls, he added.

PEOPLE

Prince Becomes King Of Rock's Megabucks

Prince is now the highest paid player in pop music after cutting a \$100 million deal with Warner Bros. Records. He will get \$10 million per album (plus royalties) and become a corporate vice president for artists and repertoire.

PERSONALS: GOING ONCE, TWICE, SOLD!!! INTERNATIONAL ART EXHIBITIONS AUCTION SALES' COLLECTOR'S GUIDES IN SATURDAY'S INTERNATIONAL HERALD TRIBUNE TODAY PAGE 7

INTERNATIONAL CLASSIFIED

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